

# CAPITAL GAINS AND LOSSES



**Office of the Staff Judge  
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**354 FW/JA**  
Legal Assistance & Preventive  
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Pamphlet Series

Capital gains and losses occur when capital assets are sold. These gains and losses must be reported to the IRS on a yearly tax return. Capital assets include:

- Stocks and bonds
- Personal home, owned and used by the taxpayer and his or her family
- Household furnishing
- Coin and stamp collections
- Gems and jewelry
- Gold, silver, and other precious metals
- Annuities

These are just a few examples of capital assets that need to be reported upon sale.

## SHORT TERM AND LONG TERM

The tax rate in which the gain is reported will be either a short time gain or a long term gain. Short term gains, assets which are held under one year before sale, generally are taxed at a higher rate. When capital assets are held longer than a year, they qualify for a lower tax rate of the gain.

## INVESTMENT PROPERTY

Investment property includes investments such as stocks and bonds, as well as jewelry and precious metals. When these are sold, they must be reported with the date of purchase as well as the date of sale.

## PERSONAL USE PROPERTY

Personal use property, such as household furnishings and a car used for commuting is a capital asset that can be sold for a capital gain or loss. Unlike investment property, the loss can be reported on the yearly tax return as a deduction.

## SALE OF A HOME

There are specific rules that apply when reporting capital gains on the sale of a home. To figure out the gain or loss from the sale of a home it is important to know the selling price, the amount realized (selling price less selling expenses), and the adjusted basis. Subtracting the adjusted basis from the amount realized will result in the amount of capital gain or loss. After figuring this amount, if it is more than allowed by the IRS, the remaining portion must be reported as a capital gain.

## TAX RATES AND LIMITS

The rate at which the capital gain is taxed varies depending on the type of capital asset. Capital losses can be deducted, although they do have limits.

## CONCLUSION

This is a brief overview of capital gains and losses. For more information, visit [www.irs.gov](http://www.irs.gov), or call the Legal Office at 377-4114

**This pamphlet is for basic information about capital gains taxation as it relates to military personnel stationed in Alaska. It is not intended to take the place of legal advice from a Judge Advocate. There may be important exceptions in some states to this information. Please contact the 354th Fighter Wing Legal Office for questions and further information.**



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